

EXTENSION COUNCIL OF
SHAWNEE COUNTY, KANSAS

Financial Statements
with
Independent Auditors' Report
For the years ended December 31, 2014 and 2013

By

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EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

Executive Board
Extension Council of Shawnee County, Kansas
Topeka, Kansas

We have audited the accompanying statutory basis financial statements of the individual fund of the Extension Council of Shawnee County, Kansas as of and for the years ended December 31, 2014 and 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory basis financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion

As described in Note 1, the Council prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion

In our opinion, because the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Extension Council of Shawnee County, Kansas as of December 31, 2014 and 2013, or results of its operations for the years then ended.

Unmodified Opinion

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the individual fund of the Extension Council of Shawnee County, Kansas and their respective cash receipts and expenditures, and budgetary results for the years then ended, on the basis of accounting described in Note 1.

Douthett & Co. CPA, PA
Douthett & Co. CPA, PA
Certified Public Accountant
July 20, 2015

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

STATEMENTS OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH

For the years ended December 31, 2014 and 2013

	2014	2013
Beginning unencumbered cash balance, January 1	\$ 485,288	\$ 491,721
Cash receipts	724,861	857,344
Expenditures	<u>(738,356)</u>	<u>(863,777)</u>
Ending unencumbered cash balance, December 31	471,793	485,288
Outstanding encumbrances and accounts payable	<u>72,801</u>	<u>42,679</u>
Ending cash balance, December 31	<u>\$ 544,594</u>	<u>\$ 527,967</u>
Composition of Ending Cash:		
Balances on deposit:		
Savings deposit account		
Community National Bank, Topeka, Kansas	\$ 471,567	\$ 473,270
Demand deposit accounts		
Community National Bank, Topeka, Kansas	<u>73,027</u>	<u>54,697</u>
Total Ending Cash Balance	<u>\$ 544,594</u>	<u>\$ 527,967</u>

See accompanying notes to financial statements

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

STATEMENTS OF EXPENDITURES –
ACTUAL AND BUDGET

For the years ended December 31, 2014 and 2013

	2014	2013
Certified budget for comparison	\$ 862,110	\$ 881,611
Expenditures chargeable to current year	<u>738,356</u>	<u>863,777</u>
Under/(Over) Budget	<u>\$ 123,754</u>	<u>\$ 17,834</u>

See accompanying notes to financial statements

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND

For the year ended December 31, 2014

		2014		Variance
	2013	Actual	Budget	Favorable
	Actual			(Unfavorable)
CASH RECEIPTS:				
Local Sources				
County appropriation	\$ 615,013	\$ 553,512	\$ 553,512	\$ -
Kansas State University aid	72,620	72,138	74,598	(2,460)
Educational and reimbursable	168,431	98,146	231,000	(132,854)
Interest and other income	1,280	1,065	3,000	(1,935)
Total Cash Receipts	857,344	724,861	862,110	(137,249)
EXPENDITURES:				
Salaries	450,421	435,771	454,000	18,229
Payroll taxes and benefits	131,540	125,120	118,000	(7,120)
Rent, heat and lights	24,741	25,009	23,000	(2,009)
Supplies, stationery and postage	22,064	8,529	12,560	4,031
Telephone	5,841	5,831	5,800	(31)
Public notice, audit, bond and insurance	10,169	8,162	9,000	838
Travel	11,416	7,974	8,000	26
Subsistence	5,774	2,574	3,750	1,176
Equipment and maintenance	7,890	6,881	10,000	3,119
Miscellaneous	15,937	12,341	12,000	(341)
Education and reimbursable	154,494	100,164	206,000	105,836
Capital outlay	23,490	-	-	-
Total Expenditures	863,777	738,356	\$ 862,110	\$ 123,754
Receipts Over (Under) Expenditures	(6,433)	(13,495)		
Unencumbered Cash, January 1	491,721	485,288		
Unencumbered Cash, December 31	\$ 485,288	\$ 471,792		

See accompanying notes to financial statements

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

STATEMENTS OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND

For the year ended December 31, 2013

		2013		Variance
	2012	Actual	Budget	Favorable (Unfavorable)
	Actual			
CASH RECEIPTS:				
Local Sources				
County appropriation	\$ 615,013	\$ 615,013	\$ 615,013	\$ -
Kansas State University aid	71,762	72,620	74,598	(1,978)
Educational and reimbursable	113,926	168,431	200,000	(31,569)
Interest and other income	1,890	1,280	-	1,280
Total Cash Receipts	802,591	857,344	889,611	(32,267)
EXPENDITURES:				
Salaries	423,671	450,421	467,167	16,746
Payroll taxes and benefits	111,420	131,540	137,331	5,791
Rent, heat and lights	26,541	24,741	30,613	5,872
Supplies, stationery and postage	17,289	22,064	18,000	(4,064)
Telephone	5,792	5,841	7,000	1,159
Public notice, audit, bond and insurance	11,703	10,169	10,000	(169)
Travel	8,436	11,416	12,000	584
Subsistence	3,389	5,774	4,500	(1,274)
Equipment and maintenance	22,334	7,890	15,000	7,110
Miscellaneous	10,826	15,937	17,000	1,063
Education and reimbursable	91,175	154,494	200,000	45,506
Capital outlay	-	23,490	43,000	19,510
Total Expenditures	732,576	863,777	\$ 961,611	\$ 97,834
Receipts Over (Under) Expenditures	70,015	(6,433)		
Unencumbered Cash, January 1	421,706	491,721		
Unencumbered Cash, December 31	\$ 491,721	\$ 485,288		

See accompanying notes to financial statements

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Extension Council of Shawnee County, Kansas (the Council), in cooperation with Kansas State University, provides technical assistance, information and education that improves family, farm and community life. The Council provides practical and useful information through educational programs which are based on scientific knowledge, applied principles and recommended practices.

The Council is a component unit of Shawnee County, Kansas based on financial accountability. The determination of financial accountability includes consideration of a number of criteria, including (1) the appointment of a voting majority of an entity's governing authority and the ability of the primary government to impose its will on the entity, (2) the potential for the entity to provide specific financial benefits to or impose specific financial burdens on the primary government, and (3) the entity's fiscal dependency on the primary government. These financial statements contain only the financial information related to the Extension Council of Shawnee County, Kansas.

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Council has passed a resolution waiving the requirements of K.S.A. 75-1120a(a). As allowed by the State of Kansas, this annual resolution waives the requirement to report its financial statements in compliance with generally accepted accounting principles.

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivable, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of net assets; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Purchases of land, buildings and equipment owned by the Council are expensed in the year of purchase rather than capitalized and depreciated as required by generally accepted accounting principles.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The financial activities of the Council only utilize the General Fund, which is to account for all unrestricted resources except those required to be accounted for in another fund. During 2014 and 2013, no resources were required to be accounted for in another fund.

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash balances are invested to the extent available in a savings account. All investments are stated at cost.

Reimbursements

The Council records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund.

NOTE 2 – BUDGETARY INFORMATION

The budget for the Council is submitted to and becomes part of the budget for Shawnee County, Kansas. All statutory requirements for publication, public hearings and adoption of the final budget are accomplished for the Council as part of the budget process of the county. The Council interlocal is exempt from the budget law (K.S.A. 79-2935).

All budgets are prepared utilizing the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end.

Annual budgets are adopted by the Executive Board and are approved by the Shawnee County Commission. Original appropriations are modified as necessary and all significant changes are approved by the Executive Board.

NOTE 3 – COMPLIANCE WITH KANSAS STATUTES

The Treasurer's surety bond was less than 100% of the total funds on hand at any one time which is a violation of K.S.A. 2-611.

The Council is not aware of any other statutory violations for the period covered by this audit.

NOTE 4 – DEPOSITS

At December 31, 2014 and 2013, the carrying amounts of the Council's deposits were \$514,182 and \$540,144, respectively. The bank balances were \$544,594 at December 31, 2014 and \$527,967 at December 31, 2013. At December 31, 2014, \$250,000 of the bank balance was covered by federal deposit insurance and the remaining \$294,594 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank. At December 31, 2013, \$250,000 of the bank balance was covered by federal deposit insurance and the remaining \$277,967 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: The Council, the pledging bank, and the independent third-party bank holding the pledged securities.

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

NOTE 5 – FIXED ASSETS

A summary of the changes in the Council's fixed assets, at original cost, for the year ended December 31, 2014 is as follows:

	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Total</u>
Balance, January 1, 2014	\$ 40,809	\$ 163,190	\$ 203,999
Additions	-	-	-
Dispositions	-	(14,853)	(14,853)
Balance, December 31, 2014	<u>\$ 40,809</u>	<u>\$ 148,337</u>	<u>\$ 189,146</u>

A summary of the changes in the Council's fixed assets, at original cost, for the year ended December 31, 2013 is as follows:

	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Total</u>
Balance, January 1, 2013	\$ 44,532	\$ 173,042	\$ 217,574
Additions	16,277	7,644	23,921
Dispositions	(20,000)	(17,496)	(37,496)
Balance, December 31, 2013	<u>\$ 40,809</u>	<u>\$ 163,190</u>	<u>\$ 203,999</u>

NOTE 6 – LEASES

The Council had two operating leases in 2014 and 2013 for a copier and a postage machine. The copier lease required monthly lease payments of \$202 and matures September, 2015. The postage machine required monthly lease payments of \$138 and matures April, 2018. Total rental payments for the year ended December 31, 2014 and 2013 were \$6,320 and \$7,890. Future minimum rental payments under these operating leases are as follows:

<u>Year Ending December 31</u>	<u>Amounts</u>
2015	\$ 3,474
2016	1,656
2017	1,656
2018	552
2019	-
Total	<u>\$ 7,338</u>

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

NOTE 7 – EDUCATIONAL AND REIMBURSABLE INCOME

Cash receipts and expenditures in this category represent fees collected for specific services which require special equipment or personnel such as soil testing services and other educational services. None of these amounts collected represent tax monies.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The Agency participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate for the period January 1, 2014 to December 31, 2014 was 5% of covered salary for Tier 1 employees, and 6% for Tier 2 employees. The rate for the period January 1, 2013 to December 31, 2013 was 4% of covered salary for Tier 1 employees, and 6% for Tier 2 employees. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers.

The employer rate established for the period January 1, 2014 to December 31, 2014 was 8.84%. The employer rate established for the period January 1, 2013 to December 31, 2013 was 7.94%. The Council's contributions to KPERS for the years ended December 31, 2014 and 2013 were \$12,152 and \$12,899, respectively, which is equal to the required contributions for the years.

NOTE 9 – COMPENSATED ABSENCES

All regular employees with 90 days of employment are eligible for annual leave benefits in varying annual amounts depending upon years of service. Employees are allowed to accumulate and carry forward a maximum amount of annual leave ranging from 144 to 240 hours depending on their years of service. Annual leave is payable upon termination of employment. Annual leave earned by unpaid as of December 31, 2014 and 2013 was approximately \$60,626 and \$54,377, respectively.

NOTE 10 – RISK MANAGEMENT

The Extension Council of Shawnee County, Kansas is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Council carries commercial insurance. Settlements of claims did not exceed coverage in the last year.

NOTE 11 – CONCENTRATIONS

The Council is not a separate taxing entity. Shawnee County, Kansas levies taxes and appropriates an amount to the Council. In 2014 and 2013, the Council's county appropriation accounted for 76.36% and 71.73% of the Council's total revenue, respectively.

EXTENSION COUNCIL OF SHAWNEE COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

NOTE 12 – POST RETIREMENT BENEFITS

The Council provides for retiree's to remain a part of the existing health care group plan. The plan is contributory, with the participant's contributions covering 100% of the cost of health care coverage.

NOTE 13 – DISCLOSURE OF EVALUATION OF SUBSEQUENT EVENTS

The Companies have adopted FASB ASC Topic 855, *Subsequent Events*. ASC 855 establishes standards of accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Specifically, it sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The adoption of ASC 855 had no impact on the Companies' financial statements.

In accordance with ASC 855, the Companies evaluated subsequent events through July 20, 2015, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.